

GOVERNORS' CLIMATE & FORESTS TASK FORCE

Joint Action Plan (2009-2010)
August 2009



Governors' Climate & Forests Task Force



ACEH PROVINCE, INDONESIA



PAPUA PROVINCE, INDONESIA



STATE OF ACRE, BRAZIL



STATE OF AMAPÁ, BRAZIL



STATE OF AMAZONAS, BRAZIL



STATE OF CALIFORNIA, U.S.



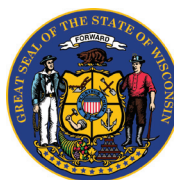
STATE OF ILLINOIS, U.S.



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STATE OF PARÁ, BRAZIL



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This report is also available online at www.climatechange.ca.gov/forestry_task_force/

Executive Summary

On November 18, 2008, the U.S. states of California, Illinois, and Wisconsin, the Brazilian states of Amapá, Amazonas, Mato Grosso, and Pará, and the Indonesian provinces of Aceh and Papua signed Memoranda of Understanding (MOUs) at the Governors' Climate Change Summit in Los Angeles, California. The MOUs provide a foundation for future cooperation on a number of issues related to climate policy, financing, technology exchange, and research. For 2009 and 2010, the parties have agreed to focus on the MOU forest sector provisions, with the overall objective of promoting technical cooperation and capacity building and developing recommendations for policymakers and regulatory authorities in the U.S. and elsewhere that are considering whether and how to incorporate reduced greenhouse gas (GHG) emissions from deforestation and forest degradation (REDD) and sequestrations from other international forest carbon activities into their emerging GHG compliance systems.

The MOUs expressly call for a Joint Action Plan to guide implementation efforts. Accordingly, this Joint Action Plan provides a framework and recommendations for implementing the MOU forest sector provisions during 2009-2010. A draft of the Joint Action Plan was presented for formal adoption by the MOU states and provinces at their first follow-up meeting in Belém, Pará on June 18-19, 2009. At the Belém meeting, the MOU states and provinces made a number of important decisions regarding the MOU implementation effort, which are reflected in this Joint Action Plan. Funding for this meeting, as well as a second meeting in California in September 2009 and other follow-up activities during 2009, has been generously provided by the Gordon and Betty Moore Foundation and the David and Lucile Packard Foundation.

The forest sector activities proposed in the MOUs and this Joint Action Plan represent the first effort (at any level of governance) to move into what might be called the "proof of concept" stage in the ongoing effort to bring REDD into existing and emerging GHG compliance regimes. As such, the MOU implementation effort carries global significance as a signal to other governmental entities and to the broader climate policy community that this is achievable and that there will be a meaningful process of transnational cooperation among the MOU states and provinces to develop workable frameworks and mechanisms for generating compliance-grade assets from REDD and other forest carbon activities in Brazil and Indonesia and bringing such assets into existing and emerging compliance regimes in the United States and elsewhere.

The Joint Action Plan identifies three primary objectives for 2009-2010. The first objective is to establish the Governors' Climate & Forests Task Force (GCF) as the primary body responsible for developing recommendations for implementing the MOU forest sector provisions. As approved at the Belém meeting, the GCF is composed of representatives from each of the MOU states/provinces, with an annual rotating chairmanship, and is responsible for making executive decisions regarding implementation of the MOU forest sector provisions. The second objective is to establish a process for nongovernmental organization (NGO) and other stakeholder participation in the MOU implementation efforts, which also was accomplished in Belém. This process will include joint meetings between the GCF and NGOs/stakeholders and NGO participation in the three working groups established in Belém to focus on key substantive areas of the MOU forest sector provisions. The third objective is to develop recommendations for implementing the MOU forest sector provisions, focusing on these same three areas:

- (1) Project-level standards and criteria for REDD activities, which will include a Protocol Assessment Report due by September 1, 2009;
- (2) Forest carbon accounting frameworks and coordination mechanisms, and the eventual integration of sub-national baselines and targets with project-based activities; and
- (3) Needs assessment, including technical, legal, institutional, and financial needs in the MOU states and provinces for moving toward compliance-grade REDD activities.

The Joint Action Plan provides details on the key issues that should be addressed in each of these three areas by the GCF and other working group participants. These working groups will report back to the full GCF at its next meeting in California in September 2009 and regularly thereafter.

For 2010, the GCF will continue its work in implementing the MOU forest sector provisions, with particular attention to critical legislative and rulemaking efforts in emerging GHG compliance regimes in the United States. Pending additional financial support, the GCF intends to convene two follow-up meetings in 2010. This Joint Action Plan is intended to be a "living document" and will be revised and supplemented as necessary in order to guide future forest sector implementation activities of the MOU states and provinces.

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I. Introduction & Key Objectives

This Joint Action Plan provides the framework for implementing the forest sector provisions of the November 2008 Memoranda of Understanding (MOUs)¹ executed between nine states and provinces in the U.S., Indonesia, and Brazil regarding a number of climate change related activities. The Joint Action Plan outlines the key organizational, procedural, and substantive implementation activities for 2009-2010, with the ultimate goal of developing recommendations for policymakers and regulatory authorities in the U.S. and elsewhere that are considering whether and how to incorporate real, verifiable, and permanent compliance-grade carbon offsets from reduced GHG emissions from deforestation and forest degradation (REDD) and other forest sector activities² into their greenhouse gas (GHG) compliance systems.³

Deforestation has recently emerged as a key focus of climate change policy at multiple levels of governance. With mounting evidence that atmospheric CO₂ concentrations cannot be stabilized at a prudent level without addressing emissions from the forest sector, which currently account for some 20% of global anthropogenic GHG emissions, policymakers are actively seeking ways to integrate the forest sector into existing and emerging GHG compliance regimes. Since 2005, for example, there has been a concerted effort in the United Nations Framework Convention on Climate Change (UNFCCC) process to integrate REDD into a post-2012 climate treaty, reflecting a significant departure from the current Kyoto Protocol rules, which expressly exclude avoided deforestation from crediting under the Clean Development Mechanism (CDM).⁴

Leading tropical forest countries such as Brazil and Indonesia have been very active in the international discussions regarding the appropriate policies and incentives necessary to bring deforestation and other forest sector activities into climate policy in a meaningful way. Although many important issues remain unresolved, it appears very likely that the post-2012 international climate agreement will include strong provisions on REDD.

At the same time, Brazil and Indonesia, along with the MOU states and provinces, are moving ahead with efforts at multiple levels to reduce emissions from deforestation and to make REDD a key component of their own climate mitigation efforts (see Appendix 2 for a description of key REDD-related activities in Brazil, Indonesia, and the MOU states and provinces). Indeed, several of the most important REDD activities currently underway are taking place in Brazilian and Indonesian states and provinces.

In the United States, the inclusion of REDD and other international forest carbon activities is also gaining traction in debates regarding the design of national and sub-national GHG compliance regimes. Leading legislative proposals for a federal cap-and-trade system introduced in the U.S. Congress over the last several years have included robust provisions for international forest carbon. Most recently, the American Clean Energy & Security Act of 2009 (H.R. 2454), which passed out of the House Energy & Commerce Committee on May 21, 2009 and is expected to go to a vote before the full House of Representatives this summer, contains extensive provisions for REDD activities, including a set aside of 5% of total U.S. emissions allowances through 2025 for capacity building and supplemental reductions as well as international

1 The full text of the MOUs is provided in Appendix 1.

2 The MOU forest sector provisions include REDD as well as other forest sequestration activities such as afforestation, reforestation, and sustainable forest management. Several pieces of proposed federal legislation in the United States also include the full suite of forest carbon activities. Moreover, current discussions within the United Nations Framework Convention on Climate Change (UNFCCC) have expanded the concept of REDD to cover other activities such as forest conservation and restoration, sustainable forest management, and reforestation (sometimes referred to as REDD+). While this Joint Action Plan focuses primarily on REDD activities, the MOU states do not intend to exclude other relevant forest carbon activities.

3 See MOUs at Appendix 1, Article 4 (providing that the Joint Action Plan will contain "all necessary provisions for implementing the cooperation activity agreed upon, including its scope, coordination and administration, resource allocation, expert and professional exchanges, administrative issues, and any other information deemed necessary for achieving the objective of this Memorandum of Understanding" and "[f]or the follow up and implementation of work plans, theme-specific groups will be established. These groups will be led by officials of the Parties and will meet at a minimum of once a year.")

4 The so-called Bali Action Plan, which was put forth by the UNFCCC Parties at COP 13 in Bali Indonesia in 2007 as a "road map" for the post-2012 negotiations, expressly directs that REDD be included in the negotiations. See *Bali Action Plan*, Decision ____/CP.13. Most recently, the draft negotiating text for the post-2012 agreement, which was released on May 19, 2009, contains a number of options for including REDD in the agreement.

offsets provisions for reduced deforestation of up to 1 billion tons per year.⁵

And, of course, several U.S. states and groups of states are actively considering ways to include REDD and other international forest carbon activities in their own GHG compliance regimes (see Appendix 2 for descriptions of REDD-related activities at the state and federal levels in the United States). California, in particular, has already passed its own climate change legislation and is currently in a rulemaking posture, with rules required by the end of 2010.⁶ Such rules, which could include provisions recognizing international offsets from REDD and other forest sector activities, will likely have a significant influence on the development of Federal rules for an eventual federal GHG compliance system.

This Joint Action Plan is premised on the observation that emerging GHG compliance regimes in the U.S. (and possibly elsewhere) are very likely not going to accept offset credits from stand-alone REDD projects in Brazil or Indonesia. Rather, REDD activities in those countries (and by extension in the Brazilian and Indonesian MOU states and provinces and possibly other jurisdictions) will likely need to be embedded within state, regional, or national accounting frameworks.

Given that the MOU states and provinces collectively account for approximately 50% of the world's tropical forests, efforts to implement the MOU forest sector provisions create a significant opportunity to advance the current policy discussions on REDD. The MOU states and provinces recognize that REDD policy is being made at multiple levels of governance and are therefore committed to proceeding in a manner that is consistent with such efforts. To that effect, the MOU states and provinces view the MOU implementation effort as an opportunity to inform the design of emerging GHG compliance regimes that are considering the inclusion of REDD activities. From this perspective, the MOU process embodies the first effort (at any level of governance) to move into what might be called the "proof of concept" stage in the ongoing effort to bring REDD into existing and emerging GHG compliance regimes. As such, the effort carries global significance as a signal to other governmental entities and to the broader climate policy community that this is achievable and that there will be a meaningful process of transnational cooperation among the MOU states to develop workable frameworks and mechanisms for generating compliance-grade assets from REDD and other forest carbon activities in Brazil and Indonesia and bringing such assets into existing and emerging compliance regimes in the United States and elsewhere.

As summarized in *Table 1* and detailed in Appendix 2, each MOU state or province is already moving ahead with various climate- and REDD-related activities, with several important REDD projects already underway in Brazil and Indonesia. The MOU process thus provides an important opportunity to coordinate these ongoing efforts in an effort to influence the development of rules and supporting institutions for compliance-grade REDD activities. This Joint Action Plan provides a roadmap for such efforts through the end of 2010.

5 The proposed set aside of emissions allowances for REDD declines to 3% of total U.S. allowances from 2026-2030 and to 2% from 2031 to 2050.

6 The recently released Scoping Plan from the California Air Resources Board (CARB), which provides the framework for developing the implementing regulations for California's own GHG compliance regime, recognizes the importance of REDD and other international forest carbon activities. See ARB, Climate Change Proposed Scoping Plan: A Framework for Change (October 2008; approved December 2008), available at <http://www.arb.ca.gov/cc/scopingplan/document/psp.pdf>, at 38, 115.

Table 1. Key GHG and Forest Sector Activities in GCF States

| STATE/ PROVINCE | GHG EMISSIONS CAP | GHG EMISSIONS & SEQUESTRATIONS INVENTORY | FOREST SECTOR BASELINES AND/OR TARGETS | REGISTRY FOR FOREST CARBON ACTIVITIES | ONGOING FOREST CARBON PROJECTS | OTHER HIGHLIGHTS |
|--------------------|-------------------------|--|--|--|---|--|
| BRAZIL | | | | | | |
| Acre | | Plan to be elaborated for energy, transport and industrial sectors Forest and Land Use changes inventories | REDD Plan (in progress; expected by July 2009) Plan for the Prevention and Control of Deforestation (in progress; expected by July 2009) Deforestation and degradation monitoring system | REDD Plan (in progress) | Reforestation program | <ul style="list-style-type: none"> – Ecological Economic Zoning – Policy for Valuing Forest Assets – Chico Mendes Law on payments for conservation services to rubber tappers – Sustainable Property Certification and annual bonus – Productivity increase in deforested areas – Indigenous Territories Management Plans |
| Amapa | | Inventories of State Production Forest underway | Plan for the Prevention and Control of Deforestation (in progress) | | Carbon stock determinations in State Production Forest | <ul style="list-style-type: none"> – Production Forest of Amapá State established – 2009 State Government Environment Policy – other forestry and environmental laws (under development) |
| Amazonas | | State Program for Monitoring of Forest Carbon Stocks and Biodiversity | State Law No. 3135 contains REDD strategy State Plan for Prevention and Control of Deforestation finished | | <ul style="list-style-type: none"> – Juma – Apuí – Triple State Border | <ul style="list-style-type: none"> – Carbon neutralization for the FIFA 2014 World Cup – State Law No. 3135, the State Policy for Climate Change (PEMC-AM) – Programa Bolsa Floresta on State Conservation Units (UCEs) – State Center for Climate Change (CECLIMA) – State Policy for Environmental Services and Forest Conservation (under development) – Amazonas Forum on Climate Changes, Biodiversity and Environmental Services |

Table 1. Key GHG and Forest Sector Activities in GCF States (continued)

| STATE/ PROVINCE | GHG EMISSIONS CAP | GHG EMISSIONS & SEQUESTRATIONS INVENTORY | FOREST SECTOR BASELINES AND/OR TARGETS | REGISTRY FOR FOREST CARBON ACTIVITIES | ONGOING FOREST CARBON PROJECTS | OTHER HIGHLIGHTS |
|--------------------|-------------------------|---|--|---|--|--|
| BRAZIL | | | | | | |
| Mato Grosso | | Some forest modeling conducted for CCSX | CCSX (46 projects covering 602,711 ha) | | REDD project in NW region of Mato Grosso with ICV and TNC (underway) | <ul style="list-style-type: none"> – Law No. 911 establishing the Forum on Climate Change – Laws No. 327, 343 establishing the Rural Environmental Regulation and Licensing Programs – State Climate Change Plan (underway) – Forest Management Program – Plan to Prevent Deforestation and Slash-and-Burn Agriculture (under development) – Socioeconomic and Ecological Zoning (in final phase of review) |
| Pará | | | Prevention Plan, Action Initiatives and Alternatives to Deforestation in the State of Pará – PPCAD-PA, approved by the State Decree n° 1697, of June 8th, 2009 | | <ul style="list-style-type: none"> – Project One Billion Trees for the Amazon – REDD Pilot Project in São Félix do Xingu (The Nature Conservancy -TNC, in partnership with SEMA-PA) – Socio-environmental Carbon Project of Xingu (TNC, in partnership with SEMA-PA); – Calha Norte Project (Conservation International - CI, in partnership with SEMA-PA) | <ul style="list-style-type: none"> – State Decree N° 1764, of June 25th 2009, established the Executive Work Group for the creation of the Pará Forum of Climate Change (Fórum Paraense de Mudanças Climáticas) – Online Registration for Rural Environment (Cadastro Ambiental Rural – CAR) for the purposes of standardizing environmental activities and determining areas of legal reserve and permanent protection – Ecological Economical Macro zoning in the State of Pará (Law n° 6.745, May 6th, 2005) |
| INDONESIA | | | | | | |
| Aceh | | PDD (Project Design Document) Ulu Masen estimated forest emissions CCBA (Climate, Community & Biodiversity Alliance) audit stated potential 100 million tons available for carbon credits over 30 years, a figure currently under validation / verification | Forest baseline – Team Re-design Aceh used as baseline for Aceh Forest Spatial Plan | Dept of Forestry Reg. No. 30 / Menhut-II / 2009 | Dept of Forestry Reg. No. P.36 / Menhut- II / 2009 | <ul style="list-style-type: none"> – Ulu Masen Ecosystem REDD Project – Leuser Ecosystem REDD Project |

Table 1. Key GHG and Forest Sector Activities in GCF States (*continued*)

| STATE/ PROVINCE | GHG EMISSIONS CAP | GHG EMISSIONS & SEQUESTRATIONS INVENTORY | FOREST SECTOR BASELINES AND/OR TARGETS | REGISTRY FOR FOREST CARBON ACTIVITIES | ONGOING FOREST CARBON PROJECTS | OTHER HIGHLIGHTS |
|-------------------------------------|--|---|--|--|---|---|
| INDONESIA (<i>continued</i>) | | | | | | |
| Papua | Planned carbon stock assessment in REDD pilot sites (2008 – 2009) | | | Jayapura (FFI/ Macquarie); Mimika/ Mamberamo (New Forest) & Merauke-Mappi-Asmat (WWF) REDD Pilot Projects – Ministry of Forestry Regulation No. 30/ Menhut – II/2009 – Papua Special Autonomy Regulation on Sustainable Forest Management 2009 | Planned carbon stock assessment in REDD pilot sites (2008 – 2009) | |
| UNITED STATES | | | | | | |
| California | <ul style="list-style-type: none"> – AB 32 economy-wide GHG cap – Western Climate Initiative (in progress) | <ul style="list-style-type: none"> – Air Resources Board GHG emissions inventory based in part on data from the US Forest Service Forest Inventory Analysis (FIA) – State Forest & Rangeland Assessment | 2020 forest emission target for California forest sector | Climate Action Registry has database for California projects | Eight registered forestry projects as part of the Climate Action Reserve Registry | <ul style="list-style-type: none"> – Forest protocol adopted by California state government in 2007 – New forest protocol expected for development in September 2009 |
| Illinois | Midwest GHG Accord (MWGGA) (in progress) | Periodic remote sensing of statewide landcover, including forest cover; updated forest and woodland community classification; development of LIDAR mapping capabilities | Baseline potentially available from USDA Forest Service, Northern Research Station | As an output of the MWGGA process (in progress) | | <ul style="list-style-type: none"> – Climate Action Plan – Illinois Conservation and Climate Initiative – Habitat Restoration & Management Programs – Identification of Conservation Opportunity Areas (COA's) in Comprehensive Statewide Wildlife Plan; Vital Lands Initiative supports NGO's working in COA's |
| Wisconsin | MWGGA (in progress) | Governor Doyle's Global Warming Task Force emissions targets (legislation in draft) Air emissions reported annually | Forest Baseline and change 1992-2001 completed by Winrock International | As an output of the MWGGA process (in progress) | | <ul style="list-style-type: none"> – Governor Doyle's Global Warming Task Force & Strategy – Forest Biomass Programs |

As detailed below, this Joint Action Plan identifies three primary objectives for 2009-2010:

(1) Establishing the Governors' Climate & Forests Task Force (GCF) as the primary body responsible for implementing the MOU forest sector provisions;

- (2) Establishing a process for NGO and stakeholder participation in the MOU implementation efforts; and
- (3) Initiating substantive implementation of the MOU forest sector provisions.

These objectives, and related actions taken at the Belém meeting, are discussed in sections II-IV below. The next section provides brief background on the MOU forest sector provisions and key lessons from current REDD policy discussions that are relevant to the MOU implementation effort.

II. Background on MOU Forest Sector Provisions & Current REDD Policy Debates

A. Background on MOU Forest Sector Provisions

On November 18, 2008, the U.S. states of California, Wisconsin, and Illinois, the Brazilian states of Amazonas, Amapá, Mato Grosso, and Pará, and the Indonesian provinces of Aceh and Papua signed Memoranda of Understanding (MOUs) at the Governors' Climate Change Summit in Los Angeles, California.⁷ Although the MOUs provide a foundation for future cooperation on a number of issues related to climate policy, financing, technology exchange, and research, the parties agreed to focus their efforts in 2009 and 2010 on the forest sector. As contemplated in Article 2(a) of the MOUs, the parties intend to cooperate on a range of forest sector activities, including "Reducing greenhouse gas emissions from deforestation and land degradation — otherwise known as 'REDD' — and sequestration of additional carbon through the restoration and reforestation of degraded lands and forests, and through improved forest management practices."

The MOU implementation activities for 2009-2010 will focus specifically on implementing Article 2(b) of the MOUs. Article 2(b) establishes the overall objective of taking concrete steps toward developing rules for the forest sector that ensure that emissions reductions and sequestrations from subnational activities in Brazil and Indonesia are (1) real, measurable, verifiable and permanent; and (2) capable of being recognized in compliance mechanisms of each party's state, provincial, regional, national or international programs.⁸

The State of California has secured funding to support the 2009 MOU implementation activities from the Gordon and Betty Moore Foundation and the David and Lucile Packard Foundation. These grants are being coordinated by the GCF members and managed by the University of Colorado to support the development of the outputs described below as well as the travel and meeting expenses for meetings of the MOU states and provinces in June 2009 (Belém, Brazil) and September 2009 (Los Angeles, California).

B. Relevant Lessons from Current REDD Policy Debates

Although it is still too early to predict the precise manner in which REDD will be included in international climate policy and in emerging compliance regimes in the U.S., several observations are worth considering as the MOU implementation process moves ahead.

First, although there are ongoing debates within the UNFCCC discussions regarding the appropriate policy mechanism(s) for REDD, with some countries favoring a fund-based approach and others promoting market-based

⁷ See MOU at Appendix 1; the MOU signatories are Governor Antônio Waldez Góes da Silva (Amapá, Brazil), Governor Eduardo Braga (Amazonas, Brazil), Governor Blario Maggi (Mato Grosso, Brazil), Governor Ana Júlia de Vasconcelos Carepa (Pará, Brazil), Governor Irwandi Yusuf (Aceh, Indonesia), Governor Barnabas Suebu (Papua, Indonesia), Governor Jim Doyle (Wisconsin, U.S.), and Governor Rod Blagojevich (Illinois, U.S.), who was replaced by Pat Quinn. At the Belém meeting, the Brazilian state of Acre was confirmed as the 10th founding member of the GCF.

⁸ See MOU at Appendix 1, Article 2(b).

financing via provisions that would recognize REDD credits in the compliance markets,⁹ it is very likely that the emerging GHG compliance regimes in the United States (state and federal) will include provisions that recognize offset credits from certain REDD activities. As with other offset provisions, any such credits would be awarded on an ex post basis, after performance has been demonstrated. The MOU process will, therefore, focus specifically on developing rules for compliance-grade REDD credits.

Second, in contrast to pure project-level accounting, there appears to be a strong preference in the current REDD discussions for jurisdiction-wide accounting (at national and/or sub-national levels) relative to historical baselines or other emissions reference scenarios. Much of the REDD discussion in the UNFCCC context, for example, has focused on national accounting. All of the REDD provisions in U.S. legislative proposals to date have been premised on national or state/province-level accounting, with limited opportunities for stand-alone project level activities. Likewise, the California Air Resources Board (ARB) Scoping Plan, which provides the framework for implementing California's climate change legislation,¹⁰ specifically identifies the possibility of accepting offsets from "those jurisdictions that demonstrate performance . . . in reducing emissions or enhancing sequestration through eligible forest carbon activities in accordance with appropriate national or sub-national accounting frameworks."¹¹ The MOU process will therefore focus on facilitating the development of and transitioning to these larger jurisdiction-wide accounting frameworks from the current project-based approaches being used in the relevant MOU states, as an eventual pre-requisite for compliance-grade activities.

Third, effective REDD activities require actions at state- or province-level jurisdictions as well as at the national level. This is particularly the case in large countries such as Brazil and Indonesia, where the capacity of national governments to implement REDD programs adapted to local conditions is limited. In these cases, sub-national jurisdictions provide distinct advantages in terms of engaging local stakeholders and responding to local threats and opportunities. Ideally, REDD programs should include sub-national jurisdictions adapted to local conditions and embedded within national accounting frameworks.

Fourth, debates continue at various levels regarding the appropriate baselines or reference scenarios that should be used for REDD activities. For some jurisdictions, historical rates of deforestation provide an adequate baseline. In others, projections of future deforestation may be more appropriate. While there has been significant work and experience with project-level baselines for forest carbon activities, establishing national and/or state- and province-level baselines or reference scenarios poses novel challenges. The MOU process will, therefore, focus particular attention on the development of appropriate baselines for the relevant MOU states.

Fifth, significant progress has been made in recent years in the development and deployment of remote sensing capabilities to monitor deforestation and land-use change in developing countries. Such capabilities complement the general move toward state/province- and national-level accounting frameworks, providing an important part of the foundation for efforts to measure deforestation over large areas and relative to historical trends in a manner that is transparent and publicly available at low or no cost. Ground-level inventories are necessary to complement space-based observations in order to translate changes in forest cover to carbon emissions for various forest types. Although tools are being developed that will allow for such "ground-truthing," there is still much work to be done in this area, including in the development of statistically valid sampling methodologies to cover large areas at low cost. Moving REDD into a compliance posture will require careful work in developing a set of transparent methodologies for Measurement, Monitoring, and Verification (MMV). The MOU process will assess and elaborate existing capabilities in this area with specific attention to the

9 Considerable bilateral and multilateral funding is being made available for REDD capacity building at the international level, with an eye toward preparing countries for possible participation in the compliance markets. In the proposed U.S. climate legislation, moreover, there are provisions that would allocate a portion of U.S. emissions allowances (or auction revenues for the sale of such allowances) for capacity building efforts as well as robust provisions for offsets from REDD activities.

10 *The California Global Warming Solutions Act of 2006* (Assembly Bill 32).

11 California Air Resources Board, *Climate Change Proposed Scoping Plan* (October 2008; approved December 2008), at 38 and 115.

development of a set of practices and standards that will meet the requirements of emerging compliance markets.

Finally, efforts to include REDD in climate policy (at whatever level) will not succeed if local forest-dependent peoples and other stakeholders are not included. In the UN REDD discussions and in the proposed U.S. legislation, provisions to ensure protection of rights and interests of local communities, participation and consultation of forest-dependent communities and indigenous peoples in affected areas, and sharing of benefits with local stakeholders will very likely be included. California and other states may very likely require similar protections given their strong commitment to ensuring that local communities are not adversely affected by GHG regulations. The MOU process will thus seek to develop substantive principles and criteria for such protections and propose mechanisms for ensuring that such protections are implemented in practice.

III. Establishing the Governors' Climate & Forests Task Force

The first objective for the MOU forest sector implementation effort is to formally establish a standing task force – the Governors' Climate & Forests Task Force (GCF) – composed of key representatives from each of the MOU states/provinces, which will be responsible for leading the overall implementation effort. This was formally accomplished on June 18, 2009 in Belém.¹² In addition, the GCF elected California as chair for the remainder of 2009. The chair for 2010 will be selected at the September 2009 GCF meeting in California, with its responsibilities beginning on January 1, 2010.

A. GCF Composition & Governance

As affirmed in Belém, the GCF consists of representatives from each MOU state and province selected by MOU signatory Governors. The nine MOU states and provinces unanimously voted to extend an invitation to the state of Acre to be the 10th “founding member” of the GCF, which Acre accepted.

The following rules governing decisionmaking, composition, and other aspects of the GCF's activities were adopted by the ten GCF members at the Belém meeting:

GCF Composition & Decisionmaking:

1. Each GCF state/province has two GCF representatives, which must be designated by the Governor. Only one representative from each GCF state/province has the authority to vote on behalf of the state/province.
 - a) NGOs may be appointed by the Governor of a GCF state/province to serve as that state/province's representative to the GCF.
2. Each GCF state/province can designate additional observer/non-voting governmental participants in GCF activities from the state/province.
3. Decisions of the GCF must be reached by consensus. Where there is no consensus on action items, alternative views will be specifically noted.
4. The chairmanship of the GCF rotates annually and will be held by a different GCF state/province and country every year.
5. The ten current members of the GCF will be referred to as the “founding members.”
6. New members will have the same rights as founding members and will be added as follows:
 - a) Current GCF members will submit suggestions for observer states/provinces to the Chair by the first week of August 2009 for attendance at the September meeting. There is no limit on the number of observers that can be suggested, but there is no funding available at this time for non-founding member participants.

¹² Over thirty MOU state and province representatives attended the Belém meeting, including four Secretaries of Natural Resources and Environment. In addition, approximately twenty-five NGO representatives from roughly fifteen organizations in Brazil, Indonesia, and the United States attended the half-day joint meeting with the GCF on June 19, 2009 to provide input on the Joint Action Plan and stakeholder involvement. Governor Ana Julia Carepa of Pará attended the closing dinner to discuss the results of the meetings.

- b) Founding GCF members can submit formal nominations to the GCF after the September 2009 meeting.
- c) New members must be accepted by consensus.
- d) New members must adopt all key GCF documents.
- e) Announcements of new members will occur at COP-15 and be effective by the first GCF meeting in 2010.

Coordination of GCF Activities with National Governments:

At the Belém meeting, the GCF states and provinces recognized the importance of national and international policy discussions and activities and expressed their commitment to working closely with the relevant entities within their national governments to ensure coordination with national-level domestic and international efforts. To that effect, the GCF agreed to the following guiding principles at the Belém meeting:

- 1. GCF actions will be transparent.
- 2. GCF members will communicate with their respective national representatives about the activities of the GCF.
- 3. The potential for national representatives to participate in GCF meetings and working groups in some capacity will be determined by the GCF at the September 2009 meeting in California.

Communications:

- 1. GCF members are free to include basic information about their participation on the GCF and the GCF's goals and activities in communications and other materials, for example information contained in documents agreed upon by the GCF, including the MOUs, Joint Action Plan, and other official documents.
- 2. Under no circumstances can the GCF be said to endorse, support, or otherwise take a position on any particular project or effort of a GCF member or non-member without a full vote of the GCF members.

Working Groups:

- 1. The three 2009 working groups are:
 - a) Project-level standards and criteria;
 - b) Accounting frameworks and coordination mechanisms; and
 - c) Needs assessment.
- 2. Other working groups may be created by the GCF as needed.
- 3. Working groups are chaired by GCF state/province representatives and each will include NGO/other stakeholder participants nominated by the GCF members. (See *infra* at Section V (and Appendices 4-6) for scopes of work and additional details).

NGO and Stakeholder Participation:

- 1. A portion of each GCF meeting will be dedicated to a joint public meeting with NGOs/stakeholders.
- 2. NGOs/stakeholders will be invited by GCF members to participate on each of the three working groups.

B. GCF Responsibilities

The GCF will be responsible for making executive decisions on recommendations to implement the MOU forest sector provisions. For 2009, the GCF will initiate development of the substantive frameworks, protocols, principles, and criteria necessary to link the future generation of compliance-grade forest carbon assets in Brazil and Indonesia with emerging compliance regimes in the United States and elsewhere, with particular attention to forest carbon accounting, crediting, and monitoring issues. These tasks are described in more detail in section IV, *infra*.

In 2010 and over the longer term, the GCF will focus on developing recommendations for both the regulatory architecture of the compliance markets and the structural and substantive provisions needed to recognize forest carbon assets for

compliance purposes and the specific requirements for generating compliance-grade forest carbon assets in Brazil and Indonesia in an effort to develop a platform for future inter-operability as the compliance markets go into effect.

In addition to convening the two GCF meetings during 2009 and taking the actions noted above, the GCF will develop and finalize several key outputs before the December 2009 15th United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP-15) in Copenhagen, Denmark. They include:

1. **Joint Action Plan (June/July 2009).** Based on input from the June 2009 GCF meeting in Belém and key stakeholders, the GCF will finalize the Joint Action Plan for MOU implementation efforts during 2009-2010.
2. **Protocol Assessment Report (August/September 2009).** The Forest Protocol Consultant will develop a Protocol Assessment Report for review at the second GCF meeting in September 2009 in California. Among other things, the report will assess existing forest carbon protocols and standards for REDD-related activities to determine which of these could be used (and/or what modifications might be needed) to govern the generation of compliance-grade emissions reductions and sequestrations in Brazil and Indonesia (and other tropical forest countries) that would be accepted by emerging compliance regimes in the U.S.
3. **2009 Progress Report (November 2009).** The September 2009 GCF meeting will result in a report documenting progress made toward realizing the forest sector provisions of the MOUs and executing terms of the Joint Action Plan. It will also outline key objectives for 2010 and beyond and launch a process to develop (and secure financial support for) state-level needs assessments and forest carbon strategies in Brazil and Indonesia. The MOU Governors will present the 2009 Progress Report at COP-15.

Pending financial support, the GCF intends to convene two additional follow-up meetings in 2010. Appendix 7 provides a timeline with details regarding additional meetings, key milestones in the relevant legislative and regulatory processes, and the primary outputs and deliverables for 2009-2010.

C. GCF Support

The GCF is leading and coordinating all activities within the MOU process. The designated GCF leads and staff from each state/province are responsible for implementing this Joint Action Plan and the Articles within the MOU. This group meets through regularly scheduled conference calls.

In addition to providing financial support for the two GCF meetings in 2009, the Moore and Packard Foundation grants are also supporting a GCF Advisor, Forest Protocol Consultant, and Workshop Coordinators. The California Natural Resources Agency has been responsible for overseeing the entire process and coordinating all activities among the states/provinces, consultants, and stakeholders.

The GCF Advisor is Dr. William Boyd, an associate professor of law at the University of Colorado Law School. He is responsible for (1) managing the Moore and Packard grants for MOU implementation activities; (2) advising the GCF and assisting with the implementation of GCF activities; (3) drafting the Joint Action Plan and Progress Report; (4) interfacing with the NGOs and other stakeholders on behalf of the GCF; (5) assisting in outreach and coordination with the broader REDD policy community; and (6) keeping the GCF informed of relevant issues in the broader REDD policy debates that could impact the MOU process. In carrying out his responsibilities, Dr. Boyd is also relying upon assistance from staff at the University of Colorado Law School's Center for Energy & Environmental Security.

The Forest Protocol Consultant is John Nickerson, on behalf of the Climate Action Reserve (CAR). He is responsible for providing technical assistance on project-level rules needed to move toward compliance-grade forest carbon in the MOU states/provinces. As part of his responsibilities, Mr. Nickerson is preparing a Protocol Assessment Report for review at the second meeting of the GCF in September 2009.

Additional technical support for GCF activities may be needed as implementation activities proceed. The GCF is committed to securing additional financial support for such activities as necessary.

IV. Facilitating NGO & Stakeholder Participation

The second objective of the Joint Action Plan is to establish a process to facilitate NGO and stakeholder participation in the MOU implementation process during 2009 and 2010. At the June 18-19, 2009 GCF meeting in Belém, it was determined that the primary formal mode of NGO and stakeholder participation in GCF activities will be through the three working groups established at the meeting.

The MOU states/provinces identified specific stakeholders for participation in the Belém meeting and follow up activities (*see Table 2*). However, the meeting was expanded to include additional NGOs identified as important to achieving the MOU objectives. It is expected that the list of participating NGOs/stakeholders will expand even further for the joint GCF/NGO portion of the September 2009 GCF meeting in California.

Table 2. Key NGO and Stakeholder Representatives

| STATE/PROVINCE | DESIGNATED NGO | LEAD CONTACT(S) |
|-----------------------------|--|---|
| Amapa (1), (2) | (1) The Nature Conservancy – Brasil | (1) Ana Cristina Barros (Amapa): acbarros@tnc.org; Miguel Calmon: mcalmon@tnc.org |
| Amazonas (3), (4) | (2) Conservação Internacional-Brasil | (2) Paulo Gustavo do Prado Pereira: pprado@conservacao.org |
| Mato Grosso (1), (5) | (3) Fundação Amazonas Sustentável – FAS (Amazonas Sustainable Foundation) | (3) Virgílio Maurício Viana: virgilio.viana@fas-amazonas.org |
| Pará (1) | (4) Instituto de Conservação e Desenvolvimento Sustentável do Amazonas – IDESAM (Institute for Conservation and Sustainable Development of Amazonas) | (4) Mariano Colini Cenamo: mariano@idesam.org.br |
| Acre (6), (7) | (5) Instituto Centro da Vida (ICV) | (5) Laurent Micol: laurent.micol@icv.org.br |
| | (6) WWF-Brasil | (6) Anthony Anderson (forest and climate expert): anthony@wwf.org.br & Carlos Scaramuzza (director) |
| | (7) PESACRE – Grupo de Pesquisa e Educação Agroflorestal do Acre | (7) Eduardo Borges (director) |
| | (8) IPAM | (8) Paulo Moutinho |
| | (9) Aliança da Terra | (9) John Carter |
| Aceh | (1) Ulu Masen – Fauna & Flora Int'l (FFI) | (1) Matt Linkie |
| Papua | (2) Leuser – Leuser Int'l Foundation (LIF); PanEco; Leuser Ecosystem Foundation (YEL) | (2) TBD |
| | (3) Flora & Fauna International | (3) Frank Momberg: frank.momberg.ffi@gmail.com; +628121104723 |
| California | (1) The Nature Conservancy | (1) Louis Bloomberg: lbloomberg@tnc.org |
| Illinois | (2) Conservation International | (2) Toby Jansen-Smith |
| Wisconsin | (3) Environmental Defense Fund | (3) Steve Schwarzman: sschwarzman@edf.org; Derek Walker: dbwalker@edf.org |
| | (4) Forest Trends | (4) Michael Jenkins: mjenkins@forest-trends.org |

The expectation is that the U.S. participants in the working groups and other GCF activities will support their participation through their existing budgets or specific fundraising efforts. Limited funding through the Moore and Packard grants is available for Brazilian and Indonesian working group and meeting participants to attend the GCF meetings in 2009.

The GCF will look to the NGO and other stakeholders to provide input to the GCF on key stakeholder concerns; technical assistance on implementation issues; and logistical support for the GCF meetings. As the membership in the working groups takes shape, the GCF will initiate task forces on key technical issues and on specific state/province issues (such as the development of state-level REDD strategies).

The NGOs and other stakeholders may also be called upon to help support Brazilian and Indonesian state/provincial government efforts, inform ongoing rulemaking efforts in California and the United States, assist in driving private-sector investment into forest carbon pilot activities, and assist in establishing standards and frameworks for prioritizing activities that generate additional benefits beyond carbon, including local livelihoods, water, biodiversity, and climate change adaptation.

V. Implementing the MOU Forest Sector Provisions (2009-2010)

The third objective of the Joint Action Plan is to initiate implementation of the MOU forest sector provisions. Efforts during 2009-2010 will focus on developing recommendations regarding the regulatory and institutional infrastructure necessary to generate compliance-grade offsets from REDD and other international forest carbon activities in Brazil and Indonesia (and other tropical forest countries) that could be considered for recognition in emerging GHG compliance systems in the United States and elsewhere. Accordingly, attention will be directed at the ongoing California AB 32 rulemaking process (described in Appendix 2), which must be completed by the end of 2010, as well as other relevant state and regional GHG compliance efforts in the United States, such as the Western Climate Initiative and the Midwest Greenhouse Gas Accord, and ultimately at the Federal effort to develop a comprehensive GHG compliance system for the United States. Acceptance of any forest carbon offsets into any particular GHG compliance system will be subject to the full review and approval of the relevant authority in each compliance system.

Because state and regional efforts in the United States will most likely be subsumed by an eventual Federal program, it is vitally important that the MOU implementation effort proceed in a manner that comports with the general features of the emerging Federal system. Similarly, activities in Brazil and Indonesia will be informed by national-level efforts. For example, in December 2008, Brazil launched its National Plan on Climate Change, which pledges to cut Brazil's deforestation rate by 70 percent (as compared to a 1996-2005 deforestation rate baseline) within ten years and created the Amazon Fund as one mechanism to support these activities through voluntary contributions, which will evolve into a platform for multi-state cooperation on REDD. Indonesia finalized its national REDD regulation, Regulation P.30/Menhut-II/2009 on Procedures for Reducing Emissions from Deforestation and Forest Degradation, on May 1, 2009, thereby establishing the world's first national legal regime for the implementation of REDD projects and the issuance of carbon credits for any resulting reductions. This was immediately followed by another Ministry of Forestry Regulation, P.36/Menhut-II/2009, believed to be the world's first revenue-sharing regulation governing forest carbon projects. The mechanics of these regulations and their effect on sub-national activities will be elucidated in additional future regulations and implementation. Finally, because REDD will likely be included in the post-2012 international climate change agreement, the GCF states and provinces are committed to proceeding in a manner that is consistent with those efforts with particular attention to methodological work and the inclusion of sub-national activities.

Based on input from each of the GCF states/provinces, Appendix 2 contains a detailed summary of the existing laws, regulations, and strategies related to REDD and forest carbon in the GCF states/provinces as well as a brief description of several ongoing REDD projects in Brazil and Indonesia. As evidenced by the summaries in Appendix 2 and Table 2 above,

REDD activities within the GCF states/provinces vary considerably, and each state/province has its own distinctive set of capabilities and needs regarding REDD activities.

Forest sector implementation activities for 2009-2010 will therefore focus on three substantive areas, each of which is discussed in more detail below:

- (1) Project-Level Standards & Criteria: standards and criteria for compliance-grade REDD activities at the project- or site-specific level;
- (2) Coordination and Accounting: accounting frameworks and coordinating mechanisms, including crediting options, for ensuring that REDD project activities are properly accounted for and credited at state/province and/or national levels, coordinated with state/province and national REDD strategies, and consistent with requirements for local participation and benefit-sharing; and
- (3) Needs Assessment: assessment of technical, institutional and legal needs for generating compliance-grade REDD activities in the MOU states/provinces.

At the Belém GCF meeting, the GCF established working groups composed of relevant GCF state/province personnel, key members from the NGO and stakeholder community, and other relevant experts in each of these three areas. The Needs Assessment working group will likely have separate task forces focusing on individual GCF states/provinces. These working groups will report back to the GCF at the September 2009 meeting in California and periodically thereafter.

As discussed in the introduction, this Joint Action Plan is premised on the observation that the emerging sub-national and national compliance regimes in the United States will very likely not accept offset credits from stand-alone REDD projects in Brazil or Indonesia. Rather, REDD activities in those countries (and by extension in the Brazilian and Indonesian MOU states and provinces) will likely need to be embedded within state, regional, or national accounting frameworks.

Moreover, despite the proliferation of projects aimed at the voluntary markets and the concomitant diversity of standards and criteria for such activities, it is unlikely that sub-national and national compliance regimes in the United States will simply adopt existing standards from the voluntary markets. At the same time, the GCF states/provinces recognize the important work that has been done to develop and apply standards and protocols such as the Voluntary Carbon Standard (VCS), the Climate, Community & Biodiversity Standards (CCBS), and the Climate Action Reserve Forest Protocol, and will make every effort to learn from and adapt such standards to the compliance context and include them as part of a transition to sub-national and national scale work.

Based on its work during 2009-2010, the GCF will generate recommendations regarding standards/criteria and accounting frameworks to be considered for inclusion in the California AB 32 rulemaking process and other state, regional, and national level regulatory efforts. The timing of the AB 32 process and other relevant rulemakings in the U.S. is detailed in Appendix 2. In summary, ARB is currently developing offset rules, which must be final by the end of 2010.

A. Project-Level Standards & Criteria

In order to ensure that REDD activities in Brazil and Indonesia meet the requirements of Article 2 (b) of the MOU, criteria must be clearly defined and desired qualities for standards clearly identified. In addition, the criteria and standards need to reconcile with the compliance mechanisms established by each party. To that effect, during 2009 and 2010, the GCF, through the work of John Nickerson, the Protocol Consultant, and the Standards and Criteria Working Group,

chaired by Ernesto Roessing (Amazonas)¹³ will undertake the activities listed below.

1. **Identify Eligibility Criteria for Project-Level Activities.** A list of eligibility criteria for project-level activities will be developed and defined. These will include key themes such as eligibility, additionality, secondary effects, measurement, permanence, monitoring & verification, and project co-benefits. Each theme will be defined and the desired qualities for standards will be listed as they relate to project accounting. The desired qualities for standards will be developed based on the need to meet the protocol requirements of existing compliance mechanisms utilized by each party. An initial draft of the Standards & Criteria Matrix is included in Appendix 4 of this Joint Action Plan.
2. **Standardize Across Projects.** While forest carbon projects are all site-based in the United States, REDD projects in Brazil and Indonesia can be of a much larger scale and tied to a policy, program, or sector. Many have specific geographic boundaries, but associated ownership issues are still under discussion with national authorities. Significant challenges exist in reconciling project-level REDD activities across regions, across other international efforts, within current voluntary markets, and within emerging compliance markets. These challenges will be assessed to demonstrate how and where standardized approaches can be used and which issues need to be resolved to allow for the development of fungible forest carbon assets.
3. **Evaluate Applicability of Existing Standards and Criteria.** The Standards & Criteria Matrix (Appendix 4) will be compared to existing forest carbon protocols and standards for REDD-related activities. This will provide a basis upon which the Protocol Assessment Report can determine how these protocols and standards can be used in the MOU context and what, if any, modifications would be needed. The initial list of existing protocols and standards for evaluation includes:
 - a. Voluntary Carbon Standard (VCS): The Voluntary Carbon Standard's (VCS – www.v-c-s.org) agriculture and forestry (AFOLU) rules, launched in November 2008, came out of a two-year development process including drafting by leading experts, peer review, and stakeholder consultation. The VCS has established itself as the preeminent carbon accounting standard for REDD projects and is being, or is planned to be, used by all the major REDD projects around the world, including those in Brazil and Indonesia. Furthermore, the VCS covers all the forestry activities included under the MOUs – REDD, restoration and reforestation, and improved forest management – enabling the creation of fungible carbon credits regardless of the forestry activity that generated them. The VCS utilizes a pooled buffer approach to address project risk and ensure the permanence of issued carbon credits.
 - b. The Climate, Community & Biodiversity Standards (CCBS): The Climate, Community & Biodiversity Standards (CCBS – www.climate-standards.org) focus on project design and the broader social and biodiversity benefits of these projects. For REDD projects, they are typically applied together with VCS, which focuses solely on the quality of the emissions reductions or sequestrations generated by forest carbon projects. About 100 projects are using the CCBS, including all the major forest carbon projects in Brazil and Indonesia. The CCBS can be used to ensure that only forest carbon projects that benefit local communities and conserve biodiversity are eligible for crediting.
 - c. Climate Action Reserve Forest Protocol (California): The Climate Action Reserve (CAR) (www.climateactionreserve.org) forest protocol, which applies to forest carbon offset projects in California, has been developed in close collaboration with the California Air Resources Board and a multi-stakeholder

13 The other members of the Standards and Criteria Working Group are as follows: Aceh; Acre; Amapa; California; Illinois; Mato Grosso; Wisconsin; and NGO representatives Amazonas Sustainable Foundation (FAS), Center for Clean Air Policy, Conservation International (U.S.), Environmental Defense Fund, Institute for Conservation and Sustainable Development of Amazonas (IDESAM), Institute for Environmental Research of the Amazon (IPAM), The Nature Conservancy (U.S. and Brazil), and World Wildlife Fund (Brasil). The Scope of Work for this Working Group is provided in Appendix 4.

process. The protocol uses standardized approaches to baseline determination, measurements, and verification, and has developed an approach to managing the permanence of forest carbon offsets through a standardized buffer pool based on each project's risk and a required contractual agreement between the forest owner and the Climate Action Reserve that ensures that climate benefits are secure. The protocol is scheduled to be considered for adoption by the Air Resources Board by September 2009. Although the Protocol was developed for "domestic" forest carbon offset projects in California, it highlights key issues that will need to be considered in developing regulations for international forest carbon offsets under AB 32, California's Global Warming Solutions Act.

4. **Assess a Selection of Ongoing REDD Project Activities with Standardized Approaches.** After developing an inventory of relevant standards and criteria and evaluating existing standards and protocols, a selection of ongoing and proposed REDD project activities will be assessed against the desired standards and criteria, and standardized approaches will be developed that could provide the basis for rule-making recommendations by the GCF. This comparison, which will include on-the-ground review, will provide critical feedback regarding the specific gaps between current projects and the requirements for generating compliance-grade forest carbon credits in the future.
5. **Determine Context of REDD Projects with Other Project Types.** In addition to the reconciliation across regions and markets, REDD project forest activities and resulting emissions reductions will be compared with other project types such as reforestation, afforestation, and improved forest management. This will clarify the definitions of project types and give context to any perceived differences in the resulting emissions reductions from the different project types.

B. Accounting Frameworks & Coordination Mechanisms

In addition to satisfying project-level criteria and standards, REDD activities capable of being recognized in emerging compliance regimes in California and the United States must be properly accounted for and credited at the state and/or national level in a manner that is consistent across different jurisdictions and that avoids problems of double-counting as states and provinces move toward national-level accounting. As noted previously, the California ARB Scoping Plan expressly endorses the concept of accepting offsets from "those jurisdictions that demonstrate performance . . . in reducing emissions or enhancing sequestration through eligible forest carbon activities in accordance with appropriate national or sub-national accounting frameworks."¹⁴

Likewise, proposed federal legislation in the U.S. (notably H.R. 2454) provides that offsets from subnational REDD activities in Brazil and Indonesia will be awarded based on performance relative to a state- or province-level deforestation baseline, taking into account annual average historical rates of deforestation during a period of at least five (5) years.¹⁵ The proposed legislation also requires that any state/province-level activities be consistent with existing nationally appropriate mitigation commitments or actions. And there is strong language in the proposed U.S. legislation regarding the rights and interests of and sharing of benefits with local communities and indigenous peoples. Finally, in its current form, the proposed legislation phases out offsets from these subnational activities five years after the U.S. compliance system takes effect, at which point only national-level reductions from Brazil or Indonesia would be allowed as offsets into a U.S. compliance system.

Although the details of these provisions will likely change during the upcoming legislative and regulatory debates, the broad outlines are likely to survive. Thus, project-level REDD activities that meet appropriate standards and criteria will

¹⁴ California Air Resources Board, *Climate Change Proposed Scoping Plan* (October 2008; approved December 2008), at 38 and 115.

¹⁵ The proposed legislation expressly provides that "other factors," which could include projected emissions from future deforestation, may be considered in establishing state- or province-level deforestation baselines.

also have to be embedded within appropriate accounting frameworks in order to be recognized in the U.S. Likewise, coordinating mechanisms will need to be developed that can ensure consistency across jurisdictions and between state/province and national levels as well as provide sufficient confidence that carbon revenues will benefit local communities.

Accordingly, in addition to its work on project-level standards and criteria, the GCF and the Accounting Frameworks & Coordination Mechanisms Working Group, Chaired by Jefferson de Castro (Mato Grosso) and with the assistance of GCF Advisor William Boyd,¹⁶ will devote significant attention during 2009 and 2010 to the development of appropriate accounting frameworks and coordination mechanisms, including crediting options, for state- and province-level activities.

The GCF is particularly interested in exploring potential models for multi-state or regional cooperation, such as the Amazon Fund in Brazil,¹⁷ which could evolve toward a possible basis for cooperation among the Brazilian GCF states on REDD accounting as well as providing an institutional mechanism for distributing carbon revenues in a transparent and equitable manner (see Appendix 5: Model Framework for REDD Coordination). During 2009-2010, the GCF will focus on assessing and improving existing accounting frameworks and capabilities in the GCF states/provinces and developing mechanisms to coordinate REDD activities across multiple levels of governance.

1. Accounting Frameworks & Capabilities: GCF activities within this area will focus on 4 key areas:

- a. Forest Carbon Inventory and Monitoring Capabilities: While there is general agreement in the REDD technical and policy communities that existing remote sensing technologies combined with “ground truthing” can provide sufficient information about forest carbon stocks and ongoing capabilities to monitor deforestation over large areas, these capabilities are not evenly distributed and have not yet been deployed in the compliance context. Notwithstanding the considerable enthusiasm for remote sensing capabilities, there is a particular need for “ground-truthing” capabilities that are consistent with the existing IPCC Good Practice Guidance for Land Use Land Use Change and Forestry. During 2009-2010, the GCF will assess existing capabilities in the GCF states/provinces to utilize remote sensing and forest inventory practices for forest carbon mapping. The GCF will also work with technical experts to develop a transparent and user-friendly platform to map changes in forest carbon stocks over time in a manner that allows for rigorous carbon accounting. The overall goal is to develop state/province-level forest carbon maps that can be used as a basis for monitoring performance going forward and that are compatible with similar state/province and/or national mapping efforts.
- b. Baselines and Reference Scenarios: Although there is still considerable debate regarding the manner in which baselines and reference scenarios should be established, with some favoring historical rates of deforestation and others favoring averages or projections of future deforestation, the GCF will examine existing approaches in light of the requirements in emerging compliance regimes and develop recommendations for the GCF states/provinces. The overall goal is to develop a set of baseline methodologies that are flexible enough to capture the different circumstances prevailing in different jurisdictions while also meeting the needs of the compliance regimes. This may require in some cases the development of a single, shared baseline for multiple states.
- c. Forest Carbon Registries: Sub-national- and/or national-level accounting for REDD (and other forest carbon) will require the development of public registries for all project-level activities (either at the state/province level or at the regional and national levels). Such registries should build upon existing GHG registry infrastructures, with capabilities for tracking all transactions, acquisitions, cancellations, and retirements of

¹⁶ The other members of the Accounting Frameworks & Coordination Mechanisms Working Group are as follows: Amazonas; California; Illinois; Papua; and NGO representatives Environmental Defense, Forest Trends, IPAM, and IDESAM. The Scope of Work for this Working Group is provided in Appendix 5.

¹⁷ See Appendix 3 for more information about the Amazon Fund.

forest credits in a transparent and publicly accessible manner. The GCF will assess existing GHG registry practices, compile relevant lessons, and facilitate development of forest carbon registries in the MOU states/provinces. Such activities will need to be carefully coordinated with any national (or international) registry activities in order to avoid double-counting and should be structured in a manner that allows such registries to be folded into and reconciled with more comprehensive GHG registries in the future. The overall goal is to develop a prototype or model forest carbon registry that could be used in the different GCF states/provinces.

- d. Verification and Enforceability: Any offsets allowed into sub-national or national compliance systems in the U.S. will have to be “verified” and “enforceable.” When reductions (or sequestrations) are measured against state- or province-level baselines, verification and enforceability take on added complexity. The GCF will explore different practices for verifying REDD activities in Brazil and Indonesia in the context of reductions accounted for at sub-national and/or national levels, including the possibilities of combining third-party certification and verification of project-level activities with sub-national-level performance indicators. In addition, the question of enforceability regarding international offset credits will need to be explored carefully, with particular attention to the possibility of using liability rules, insurance instruments, buffers, and/or credit reserves as tools for dealing with the question of enforceability of offsets across jurisdictions.

2. Coordinating Mechanisms: Consistent with its work on accounting frameworks and capabilities, the GCF will also focus in 2009-2010 on several coordination issues:

- a. REDD Planning: Subnational- and national-level REDD planning is a pre-requisite for proper coordination of REDD activities within and among different jurisdictions. Such plans are also required under certain emerging GHG compliance systems, such as that proposed by H.R. 2454 in the U.S. The MOU process is already providing an important clearinghouse for different approaches to REDD planning among the different GCF states/provinces (see Appendix 2). Based on existing approaches, the GCF will work to develop a menu of best practices for REDD planning that can be used by the GCF states and provinces and that is consistent with larger national-level REDD planning efforts. The GCF will also look to regional institutions and programs, such as the Amazon Fund, as possible models for multi-state cooperation on REDD planning.
- b. Carbon Revenue Tracking and Distribution: The GCF states and provinces are committed to developing equitable, transparent, and accountable mechanisms for tracking and distributing REDD offset revenues within and between relevant jurisdictions and to relevant actors on the ground. The GCF will consider a range of possible models to ensure proper revenue tracking and distribution, including existing regional institutions such as the Amazon Fund (see Appendix 5: Model Framework for REDD Coordination).
- c. Local Participation and Benefit-Sharing Frameworks: REDD will be undermined if it does not benefit forest-dependent communities. The GCF states and provinces are committed to the view that all REDD activities must be based on active participation of local communities and that payments for REDD activities must go first and foremost to these communities. Based on the important work that is already ongoing in the Brazilian states of Amazonas, Acre, and Mato Grosso and the Indonesian provinces of Aceh and Papua (see Appendix 2) in developing REDD activities that ensure local participation and benefit sharing, the GCF will distill the key lessons and best practices from these activities and develop model frameworks for community involvement and benefit sharing in REDD activities. Such efforts will be coordinated closely with efforts to develop project-level standards and criteria for compliance-grade REDD assets (see above).

C. Needs Assessment

The final implementation task for the GCF during 2009-2010 is needs assessment. Extensive discussions among the GCF states and provinces to date, together with efforts to inventory ongoing REDD activities in each GCF state and province, has made clear that there are technical, legal, and institutional needs in the various GCF states and provinces that must be met in order to move toward compliance-grade REDD activities. Technical support for forest carbon accounting and monitoring is one example, given a general lack of relevant expertise and limited budget allocations. Another area needing further development is forest ownership, land tenure, and carbon rights, which will necessarily involve close coordination with national governments. Verification and enforceability are also important areas needing significant attention in the effort to develop compliance-grade REDD activities. The GCF and Needs Assessment Working Group, co-chaired by LeRoy Hollenbeck (Aceh) and Luis Meneses (Acre) with consultant(s) to be determined, are committed to performing a needs assessment for each GCF state and province, perhaps as part of REDD planning, and to developing a strategy for securing financial support and technical assistance to meet such needs.¹⁸ As noted above, the Needs Assessment Working Group will be divided into separate task forces for each of the MOU states and provinces in order to facilitate this process.

VI. Conclusion

Efforts to stabilize the composition of the atmosphere at a prudent level will not succeed without REDD, a fact that is increasingly apparent in climate policy discussions at multiple levels. Given the ongoing threats facing tropical forests, moreover, the opportunity to achieve significant emissions reductions from REDD activities will not last long. The effort to implement the MOU forest sector provisions thus represents an historic opportunity to move the current REDD policy discussion into a “proof-of-concept” phase through the development of rules for compliance-grade REDD activities. The GCF states and provinces are well aware of the many challenges involved in such an effort and are committed to working together to realize the objectives of the MOU forest sector provisions. To that effect, this Joint Action Plan outlines an ambitious set of activities for implementing the MOU forest sector provisions in 2009 and 2010, with the ultimate objective of developing workable frameworks and mechanisms for generating compliance-grade assets from REDD and other forest carbon activities in Brazil and Indonesia and bringing such assets into existing and emerging compliance regimes in the United States and elsewhere. The Joint Action Plan is intended as a living document that will be amended and supplemented as necessary to reflect future activities of the GCF states and provinces as they work together to make REDD a meaningful part of climate mitigation efforts.

18 The Needs Assessment Working Group also includes representatives from each of the other GCF members (Amapa, Amazonas, California, Illinois, Mato Grosso, Papua, Para, Wisconsin), as well as NGO representatives including Instituto do Homem e Meio Ambiente da Amazônia (IMAZON), Instituto Centro da Vida (ICV), and The Nature Conservancy (TNC).

